

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Annual Compliance Report, 2015

:

Docket No. ACR2015

REPLY COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Reply Comments pursuant to Order No. 2968. GCA, which comprises 200 greeting card publishers and related enterprises and historically represents the mail-using consumer, herein responds to certain contentions made in initial comments by the National Postal Policy Council (NPPC), the National Association of Presort Mailers (NAPM), and Pitney Bowes, Inc. (PB).

I. "BOTTOM-UP" RATE-SETTING

NPPC argues that the high implicit cost coverage of Presort First-Class Letters, as compared with that for Single-Piece, indicates that workshared rates should be set starting with the lowest-cost category (5-Digit) and built up by adding the cost differential between it and the next "coarsest" presortation level. It appears that NPPC means by this that the 5-Digit starting point should be taken directly from CRA costs – in other words, that the established¹ benchmark procedure should be dropped.

NPPC states² that –

A consequence of this top-down approach is that the most finely prepared mail receives no recognition in pricing for its many cost-saving characteristics that do not fit within the narrow definition of Section 3622(e).

¹ See Orders No. 536 (Docket RM2009-3) and No.1320 (Docket RM2010-13).

² Comments of the National Postal Policy Council, p. 8.

As a workshared product, Presort is subject to sec. 3622(e)³ and to what NPPC calls its “narrow definition.” The Commission has taken pains to clarify, and where appropriate extend, the coordinated concepts of “avoided cost” and “worksharing” within the thoroughly examined and justified benchmark system. In Order No. 536, the Commission drew a clear distinction between mailer-controlled ancillary features which potentiate, as regards cost reduction, the actual worksharing effort and those which do not. For instance, address cleansing makes pre-barcoding valuable because wrong addresses generate wrong barcodes and hinder efficient processing and delivery.⁴ These ancillary characteristics *do* fall within the sec. 3622(e) definition as the Commission has clarified it. To object to the definition as “narrow” is to ignore the fundamental fact that Presort, as a workshared category, is fully subject to that section. The Commission, as it has done in the past⁵, has followed the statute and responsibly exercised its authority to define worksharing in detail. GCA believes that it should continue along the same lines.⁶

II. DISPARATE COST COVERAGES AND UNIT CONTRIBUTIONS

The question of disparity between cost coverages and unit contributions, an issue in past ACR proceedings, arises in this one too. NPPC, NAPM, and PB all raise it, in largely familiar terms.⁷

³ Section citations appearing alone refer to title 39, United States Code.

⁴ Docket No. RM2009-3, Order No. 536, pp. 44-47.

⁵ As NPPC observes (Comments, p. 6).

⁶ We agree with NPPC that this is not the proceeding in which to overturn established First-Class ratemaking approaches. NPPC Comments, p. 9.

⁷ NAPM complains of “disproportionate price increases” on Presort letters. It is not clear whether this is simply an alternative description of higher coverages, or an assertion that percentage increases for Presort have been greater. If the latter, the record shows that, from Docket R2008-1 to Docket R2010-13, percentage increases were roughly equal (averaging 2.24 percent for Single-Piece and 2.36 percent for Presort). The increases in base (unsurcharged) rates in Docket R2015-4 were disparate, changing the averages to 2.01 and 2.37 percent – still hardly disproportionate, and certainly not indicative of a “continuing pattern.” See Comments of the National Association of Presort Mailers, p. 2. In comparing percentage increases, one should bear in mind the whole-cent constraint on the Single-Piece rate structure, which in combination with the price cap can occasionally necessitate a seemingly disparate increase profile within First Class.

That workshared and non-workshared cost coverages will diverge when work-sharing discounts follow efficient pricing principles has been recognized since Docket MC95-1. Those principles, so far as relevant here⁸, are incorporated in sec. 3622(e). The Commission has pointed out, in this same context⁹, that the Postal Accountability and Enhancement Act (PAEA) provides broad pricing flexibility for the Postal Service, so that the cost coverage issue is, initially at least, one for it to address. The commenters raising it have neither recognized fully the appropriate way in which the Commission has addressed it in past ACR proceedings nor shown that circumstances have so changed that it should now be considered a compliance issue.

III. CONCLUSION

GCA submits that the Commission should find that neither the existing benchmark method of constructing workshared First-Class rates nor the disparity in coverage or unit contribution between Single-Piece and Presort letters and cards presents an issue of non-compliance with ch. 36. ``

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Respectfully submitted,

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⁸ It is true that sec. 3622(e) establishes a ceiling but not a floor for worksharing discounts, whereas efficient component pricing principles establish both. The question of how low worksharing discounts can be set is not raised in this proceeding.

⁹ See *Annual Compliance Determination Report, Fiscal Year 2012*, p. 82; *Annual Compliance Determination Report, Fiscal Year 2013*, p. 70.